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IN THE

Supreme Court of the United States

OCTOBER TERM, 1970.

No. 1012

FORT HOWARD PAPER COMPANY,
Petitioner.

vs.

SCOTT PAPER COMPANY,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

The petitioner, Fort Howard Paper Company, respectfully prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Seventh Circuit entered in this proceeding on September 4, 1970.

OPINION BELOW.

The opinion of the Court of Appeals, ... F. 2d ....., 167 U. S. P. Q. 4, appears in the Appendix hereto. The opinion rendered by the District Court for the Eastern District of Wisconsin, not reported, also appears in the Appendix hereto.

JURISDICTION.

The judgment of the Court of Appeals for the Seventh Circuit was entered on September 4, 1970. This petition for certiorari was filed within ninety (90) days of that date. This Court's jurisdiction is invoked under 28 U. S. C. § 1254(1). The jurisdiction of the District Court was invoked under 28 U. S. C. § 1338(a).

QUESTIONS PRESENTED.

1. Under this Court's directives that an application for patent "requires the highest degree of candor and good faith," *Kingsland* v. *Dorsey*, 338 U. S. 318, 319 (1949), and an applicant has an "uncompromising duty to report to [the Patent Office] all facts concerning possible fraud or inequitableness, underlying the applications in issue," *Precision Instrument Co.* v. *Automotive Maintenance Mach. Co.*, 324 U. S. 806, 818 (1945), is a patent applicant under a continuing obligation to affirmatively disclose to the Patent Office known prior art patents which "disclose the method and structure in the [applicant's] claims" (App. p. 6a), when the Patent Examiner in the *ex parte* confidential proceeding has no knowledge of the same?

> Question 1 is directly related to Question II presented to this Court for review in Appellate Docket No. 338, *Blonder-Tongue Laboratories Inc.* v. *University of Illinois Foundation*, for which Certiorari was granted by this Court on October 19, 1970. Both issues involve the Seventh Circuit's interpretation of what constitutes candor and good faith before the Patent Office.[1]

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1. Question II in Appellate Docket No. 338, *Blonder-Tongue*, etc., reads:

"II.

Has a patentee (University of Illinois Foundation) any standing in a court of equity where, in the words of the Court of Appeals in this cause, the patentee

(Footnote continued on next page.)

2. Does 35 U. S. C. § 285, which does not use the term "fraud," authorize the granting of attorneys' fees in patent cases only where "fraud and wrongdoing are clearly proved" (App. p. 13a), or does the statute, which authorizes the granting of attorneys' fees "in exceptional cases," include the authorization to award attorneys' fees in a patent suit as a penalty for noncompliance with an applicant's "uncompromising duty" of candor before the Patent Office, and as an inducement to future compliance with the duty where the District Court makes the following findings:

> "19. We agree with the defendant that both Crane and Oldofredi (prior art patents) disclose the method and structure described in the plaintiff's claims, and that those details in the claims not specifically mentioned in Crane and Oldofredi . . . are inherent in the use of wire screens in the embossing operation. * * *.
>
> "20. Both Crane and Oldofredi are better references than prior art considered by the Patent Office during prosecution of the patent in suit and no presumption of validity exists with respect to those patents.
>
> "21. Before the patent in suit issued, the plaintiff to which the patent was assigned prior to issuance, was aware of the existence of Crane and Oldofredi but failed to call those patents to the attention of the Patent Office; * * *" (App. pp. 19a-20a).

and does the Seventh Circuit's unreasonably strict standard requiring clear and convincing proof of "fraud" in such

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'affirmatively presents a half-truth to the patent office in order to overcome a rejection,'

knowing

'that the whole truth would support rather than overcome the rejection;'

or does such misconduct in the Patent Office, in line with previous pronouncements of this Supreme Court, but ignored by the Court of Appeals, bar relief of patent enforcement for unclean hands, and even constitute an anti-trust violation, when such improperly obtained patent was used vigorously by the patentee and its exclusive licensee (JFD Electronics Corporation) to restrain competition?"

circumstances confuse a "cause of action" standard with an equitable standard and conflict directly with the purpose and intent of the statute, this Court's prior rulings, and other circuits' interpretations of those rulings?

STATUTORY PROVISIONS INVOLVED.

United States Code, Title 35:

§ 115. Oath of Applicant

The applicant shall make oath that he believes himself to be the original and first inventor of the process, machine, manufacture, or composition of matter, or improvement thereof, for which he solicits a patent; and shall state of what country he is a citizen. Such oath may be made before any person within the United States authorized by law to administer oaths, or, when made in a foreign country, before any diplomatic or consular officer of the United States authorized to administer oaths, or before any officer having an official seal and authorized to administer oaths in the foreign country in which the applicant may be, whose authority shall be proved by certificate of a diplomatic or consular officer of the United States, and such oath shall be valid if it complies with the laws of the state or country where made. When the application is made as provided in this title by a person other than the inventor, the oath may be so varied in form that it can be made by him.

§ 122. Confidential Status of Applications

Applications for patents shall be kept in confidence by the Patent Office and no information concerning the same given without authority of the applicant or owner unless necessary to carry out the provisions of any Act of Congress or in such special circumstances as may be determined by the Commissioner.

§ 285. Attorneys Fees

The court in exceptional cases may award reasonable attorney fees to the prevailing party.

United States Code, Title 18:

§ 1001. Statements or Entries Generally

Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined not more than $10,000 or imprisoned not more than five years, or both. June 25, 1948, c. 645, 62 Stat. 749.

STATEMENT OF THE CASE.

On August 26, 1960 Plaintiff Scott Paper Company filed suit (Rec. App. p. 14) against Defendant-Petitioner Fort Howard Paper Company for infringement of U. S. Patent No. 2,834,809 (Rec. App. p. 471), owned by Scott and entitled "Absorbent Paper." Scott claimed that the patent covered more that 50% of all paper industrial wipers made and sold in the United States. The claims of the patent cover the method of, and paper structure resulting from, perforating and embossing paper between two wire screens (Finding 7, App. p. 16a). On December 23, 1968 the District Court found the patent to be invalid over two prior art patents (Crane and Oldofredi) both of which taught how to perforate and emboss paper between two wire screens. The Court found that these two patents had been known to Scott during the period of time Scott was seeking the patent in the Patent Office but that Scott had not told the Patent Office about their existence (App. p. 20a). On September 4, 1970 the Seventh Circuit affirmed the finding of invalidity. Based on the Seventh Circuit's concept of the duty of an applicant to disclose known prior art to the Patent Office, the Seventh Circuit affirmed the District

Court's denial of attorneys' fees to Fort Howard (App. pp. 11a-13a).

The District Court found:

> "16. Long before the application for the patent in suit was filed, the pressing of paper between wire screens to obtain a perforating-embossing effect was known in the art (See Crane Patent No. 118,204; Oldofredi Patent No. 2,370,186) but no patent involving such treatment was considered by the Patent Office during its prosecution." (App. p. 18a-19a.)

In May of 1952 employees of the Scott Paper Company were asked to investigate means of treating paper for ultimate use as an absorbent paper wiper. On June 23, 1952 joint-inventor Schutte took two pieces of wire screen, placed a sheet of paper between them, hit the sandwich with a hammer, and imparted an undulating perforated and embossed configuration to the paper (Finding 7; App. p. 16a). Thereafter, the inventors' assignee, Scott Paper Company, had a patentability search in the Patent Office made on the alleged development and reports were submitted to Scott thereon.[2] Scott went into commercial production of paper wipers using both the screens and screen simulated engraved rollers to perforate and emboss the paper (Finding 7; App. p. 16a).

On July 6, 1953, Schutte et al.'s assignee, Scott Paper Company, filed a patent application with claims therein (and claims that ultimately issued in the patent in suit)

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2. Petitioner Fort Howard Paper Company sought production of these patentability reports but the District Court denied production on the basis that petitioner had failed to show good cause for their production and that Scott Paper Company's counsel's opinion with respect to validity was not relevant to the Court's legal obligation to determine validity. (Rec. App. pp. 42-43.) The Court of Appeals ruled that the District Court "did not abuse its discretion in its ruling." (App. p. 13a.) These documents have been held *in camera* and have been forwarded to the Supreme Court as a part of the record in Envelope 666AA. (See App. p. 23a.)

that both the District Court and the Court of Appeals found invalid as claiming the same invention described in Crane and Oldofredi:

> "We agree with the district court that both Crane and Oldofredi disclose the method and structure in the plaintiff's claims. Both teach a method of embossing paper and other materials by placing it between two wire screens and applying pressure to the resultant 'sandwich'. Both also describe the paper as having perforations when removed from the rollers." (App. pp. 6a-7a.)

The Court of Appeals found an "absence of any teaching in the Scott patent on using the wire screen in any way different from the prior art. . . ." (App. p. 8a.)

From July 6, 1953 through May 13, 1958 when the patent issued, Scott Paper Company made numerous written arguments to the Patent Office and its counsel had no fewer than five (5) personal interviews[3] with the patent examiners relative to the pending patent application. Sometime during this period, either by virtue of the patentability reports which the District Court refused to order disclosed (Envelope 666 AA, which is a part of the *in camera* record accompanying this petition), or by other means, Scott Paper Company became aware of the prior art patents to Crane and Oldofredi. The District Court found:

> "21. Before the patent in suit issued, the plaintiff, to which the patent was assigned prior to issuance, was aware of the existence of Crane and Oldofredi but failed to call those patents to the attention of the Patent Office." (App. p. 20a.)

On July 6, 1953, upon filing the patent application, as required by law, the applicants made oath to the Patent Office under 35 U. S. C. § 115 that they believed themselves

3. The application record shows personal interviews on April 9, 1954, January 4, 1956, May 3, 1957, September 4, 1957, and shortly subsequent to November 9, 1957. (Rec. App. pp. 477-532.)

to be the original and first inventors of the invention for which they were soliciting a patent. (Rec. App. pp. 491-492.) On April 18, 1958, just shortly before issuance of the patent on May 13, 1958, Scott Paper Company filed a supplemental oath of the inventors covering certain amendments that had been made to the application. (Rec. App. p. 530.) The supplementary oath again claimed first inventorship of the invention for which a patent was sought. In both oaths the inventors swore that they "do not know and do not believe that this invention was ever known or used before our invention or discovery thereof or patented or described in any printed publication in any country before our invention or discovery thereof."

During the five personal interviews and the numerous written arguments with the examiner, Scott's attorneys were circumspect in avoiding positive false statements, *e.g.* "It is respectfully submitted that the claims are distinguishable over the *art of record* and should be allowed. . . ." (Rec. App. p. 516.)

The District Court found that "both Crane and Oldofredi are better references than prior art considered by the Patent Office during prosecution of the patent in suit and no presumption of validity exists with respect to those patents." (App. p. 20a.)

The specific claims of the patent in suit which issued covered "paper" having a structure which results from embossing paper between two wire screens. There is no limitation on the type of paper or on the end use to which the paper is to be put. This is understandable in view of the fact that the inventors' notebook, in addition to reciting a use for the paper as a wiper, under the heading "Application of Perf-Embossed Process to Other Paper Products" indicates that the wire screen embossing operation may be used to make "decorative protective paper" [a la Oldo-

fredi], insulation paper, rigid sheeting, and shock resisting paper, and that any type of paper such as waxed paper and chemically treated papers may be used. (Rec. App. pp. 542-543.) Scott Paper Company told the Patent Office that it did not wish to be limited to any end use or specific type of paper in its patent coverage "reference being had to the appended claims . . . to indicate the scope of the invention." (Rec. App. 475.) Moreover, as the Court of Appeals found, Oldofredi specifically contemplated perforating and embossing paper between two wire screens according to his invention for multiple end uses. (App. p. 9a.)

The District Court invalidated the Schutte patent based on the Crane and Oldofredi prior art patents. This judgment was affirmed by the Court of Appeals. Applying the Seventh Circuit's standard of candor and fairness before the Patent Office, the District Court refused to find a duty to disclose known, anticipatory prior art to the Patent Office:

> "21. • • • Although as we have stated, Crane and Oldofredi were more pertinent references than those cited in the Patent Office, we are not satisfied that the plaintiff is guilty of inequitable conduct or unclean hands." (App. p. 21a.)

The District Court also rejected a patent misuse argument:

> "22. • • • Just as we are not satisfied that the plaintiff is guilty of inequitable conduct or unclean hands by reason of material omissions or misrepresentations in the Patent Office, we do not believe that the plaintiff has been shown to be guilty of patent misuse due to its knowledge of the prior art." (App. p. 21a.)

Refusing to find a violation of its standard of candor and fairness, the District Court refused to award attorneys' fees or to make a finding that this was an "exceptional case" under 35 U. S. C. § 285.

The Court of Appeals affirmed the District Court's refusal to award attorneys' fees on the basis that 35 U. S. C. § 285 required clear proof of "fraud and wrongdoing." The Court of Appeals also held that "unclean hands can be asserted only if there has been a deliberate misrepresentation in the Patent Office." (Citing a District Court case *Baldwin-Lima-Hamilton Corp.* v. *Tatnall Measuring Sys. Co.*, 169 F. Supp. 1, 21 (E. D. Pa., 1958).) The Court of Appeals further held that "the burden of proving fraud is not lightened by 35 U. S. C. § 115." (The oath required of the applicant.) Although apparently demanding a high level of proof of the applicant's fraudulent state of mind in failing to disclose the anticipatory prior art, the Court of Appeals affirmed the District Court's denial to Fort Howard of access to the patentability reports contained in Envelope 666AA. These reports have been sealed and forwarded to the Clerk of the Supreme Court as part of the Petition record. Petitioner maintains that it is erroneous on this record to have maintained those reports *in camera* on a highly questionable finding that Petitioner Fort Howard had failed to demonstrate "good cause" for their production.

REASONS FOR GRANTING THE WRIT.

The Writ Should Be Granted to:

1. Raise the standard of a patent applicant's duty of candor before the Patent Office, as applied in the Seventh Circuit,[4] to the standard established by this Court and followed by other courts of appeal, with which the law of the Seventh Circuit conflicts.

2. Establish as controlling law for all circuits the sanc-

4. Of a total of 179 patents litigated in the various Courts of Appeal between February 1, 1966 and December 1, 1968, the Seventh Circuit accounted for fully 28% of them. 51 J. P. O. S. 332-333 (1969).

tion of the award of attorneys' fees under 35 U. S. C. § 285 to pressure applicants into compliance with that established standard for candor. This point has not been, but should be, settled by this Court.

The Standard of This Court.

Congress has provided, in Title 35, U. S. Code, a uniform, cohesive patent application system which balances the inventor's rights with those of the public. The system must work in all its parts or the public's rights are prejudiced at the expense of the alleged inventor's. A patent applicant's communications with the Patent Office are, by law, held in confidence until a patent issues, 35 U. S. C. § 122. Of necessity, the patent applicant proceeds on an *ex parte* basis. This Court has recognized that:

> "[T]he primary responsibility for sifting out unpatentable material lies in the Patent Office. To await litigation is—for all practical purposes—to debilitate the patent system." *Graham* v. *Deere*, 383 U. S. 1, 18 (1966).

Due to the *ex parte*, confidential nature of the proceeding, Congress has required that the applicant take an oath of inventorship. 35 U. S. C. § 115. Because of the expected and usual disparity between the knowledge of the applicant and the Patent Office examiner on the state of existing art in the inventor's field, the oath wisely requires a disclaimer by the applicant of any knowledge that the claimed "invention was ever known or used before" his alleged invention. The examiner thus starts his investigation of the Patent Office records firm in the knowledge that this applicant, presumptively "skilled in the art," has no knowledge of any art that would disqualify his claim to inventorship.

For the fraudulent oath taker the Criminal Code dictates a criminal penalty. 18 U. S. C. § 1001. But this Court has

recognized that a standard of conduct before the Patent Office that prohibits only fraud is insufficient to protect the public in this sensitive area:

> "Accordingly one's misconduct need not necessarily have been of such a nature as to be punishable as a crime or as to justify legal proceedings of any character." *Precision Instrument Mfg. Co.* v. *Automotive M. M. Co.*, 324 U. S. 806, 815 (1945).

This Court has clearly spelled out the applicant's duty:

> "By reason of the nature of an application for patent, the relationship of attorneys to the Patent Office requires the highest degree of candor and good faith. In its relation to applicants, the Office * * * must rely upon their integrity and deal with them in a spirit of trust and confidence * * *." *Kingsland* v. *Dorsey*, 338 U. S. 318, 319 (1949).

The rationale of the *Kingsland* decision was well enunciated by this Court in *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Mach. Co.*, 324 U. S. 806, 816 (1945):

> "A patent by its very nature is affected with a public interest * * * [I]t is an exception to the general rule against monopolies and to the right to access to a free and open market. The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud *or other inequitable conduct* and that such monopolies are kept within their legitimate scope." (Emphasis added.) (p. 816.)
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> • • • • •
>
> "Those who have applications pending with the Patent Office or who are parties to Patent Office proceedings have an uncompromising duty to report to it all facts concerning possible fraud or inequitableness underlying the applications in issue." (Emphasis added.) (p. 818.)

The *Precision Instrument* case has more recently been cited with approval by this Court in *Walker Process Equip.* v. *Food Mach. & Chem. Corp.*, 382 U. S. 172 at 177.

Attorneys' Fees Is a Proper Sanction For Enforcing Standard.

Congress, as part and parcel of the uniform patent system and as an inducement to the applicant to honor his "uncompromising duty," has decreed in 35 U. S. C. § 285 that:

> "The court in exceptional cases may award reasonable attorneys' fees to the prevailing party."

The Seventh Circuit requires a level of proof of "fraud and wrongdoing" sufficient to give rise to a civil proceeding for fraud and possibly to convict an applicant of perjury under 18 U. S. C. § 1001, in order to obtain a designation of an applicant's conduct as "exceptional" and to warrant the award of attorneys' fees under 35 U. S. C. § 285. The Seventh Circuit has, in effect, removed all inducement for an applicant to disclose known, anticipatory prior art to the Patent Office. It has substituted a fraud standard for the equitable standard established by this Court and the "exceptional conduct" standard created by Congress. Under the prevailing law in the Seventh Circuit, an applicant may, as in this case, simply deny that it had fraudulent intent, deny an accused infringer access to the applicant's patentability reports which are usually the only documents which show state of mind regarding the reason for failing to disclose the anticipatory prior art, and leave the entire task of defending the public interest to the ability of the patent examiner to find the same prior art of which the applicant has knowledge.

This lax standard of candor and fairness employed by

the Seventh Circuit[5] also lies at the root of Question No. II in Appellate Docket No. 338, *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation*, for which certiorari was granted by this Court on October 19, 1970. (See footnote 1, supra.) Therein, it appears that the Seventh Circuit has taken the position that a patent applicant can avoid any sanction for half-truths told to the patent examiner if the applicant is able to show that the patent examiner was negligent and was not really justified in relying on the half-truth. The only procedural penalty for such conduct is the dropping of the presumption of validity normally accorded the patent. Common sense dictates that this "contest of wits" approach cannot be the standard if the system devised by Congress for rewarding an inventor, while at the same time protecting the public, is to have any meaning. This Seventh Circuit standard is clearly in conflict with the law announced in the decisions of this Court and followed by other Courts of Appeal.

If Congress had intended that 35 U. S. C. § 285 apply only to fraudulent conduct it would have used the word "fraudulent" not "exceptional." The two are not synonymous. In this instance, the award of attorneys' fees for the "exceptional" conduct of the applicants in not revealing known, anticipatory prior art to the Patent Office would fulfill the Congressional purpose. Future applicants would have a vested interest in disclosing known, anticipatory prior art to the examiner and would not hope to avoid accountability merely because a future litigant may not prove that the Seventh Circuit's version of "fraudulent" intent motivated the non-disclosure.

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5. *E.g. Sarkes Tarzian, Inc.* v. *Philco Corporation*, 351 F. 2d 557, 560 (7th Cir., 1965), cited in the instant case:

> "Furthermore, we think it is well established, at least in this Circuit, that attorney fees should not be awarded under 35 U. S. C. § 285 except to prevent gross injustice and where *fraud* and wrongdoing are clearly proved."

Other Circuits Follow Strict Standard of Kingsland and Precision Instrument Decisions of This Court.

The issues here presented have been the subject of much litigation in the past few years. In addition to the *Blonder-Tongue* case now on this Court's certiorari docket, several other circuits have recently announced strict standards to govern an applicant's duty to disclose known prior art to the Patent Office which are at odds with that applied by the Seventh Circuit.

The Ninth Circuit, in 1969, relying on this Court's *Precision Instrument* standard, held that it was not necessary to show "fraud" to make a case "exceptional" under 35 U. S. C. § 285. In *Monolith Portland Midwest Co.* v. *Kaiser Aluminum & C. Corp.*, 407 F. 2d 288 (9th Cir., 1969), the Court said:

> "A patent applicant's breach of duty to the Patent Office is relevant in determining not only the validity of his patent, but also his good faith in maintaining a subsequent infringement action. An applicant's fraud on the Patent Office is enough standing alone to convert his later infringement action into an exceptional case within the meaning of section 285. *But conduct short of fraud and in excess of simple negligence is also an adequate foundation for deciding that a patent action is exceptional.* Such conduct is a serious breach of the patentee's duty to the Patent Office. *The party who succeeds in invalidating the unlawful patent performs a valuable public service. It is appropriate under such circumstances to reward the prevailing party by giving him attorney's fees for his efforts, and it is equally appropriate to penalize in the same measure the patentee who obtained the patent by his wrongdoing.*" (p. 294.) (Emphasis added.)

In the instant suit Scott Paper Company not only failed in its duty to disclose the known anticipatory prior art to

the Patent Office but it vigorously prosecuted a patent suit against the Fort Howard Paper Company that has extended over a period of ten (10) years with full knowledge of that anticipatory prior art. It, as the dominant paper company in this field, has used the litigation to suppress competition in the invalidly patented product. Under the standard in existence in the Ninth Circuit, Scott Paper Company's conduct has truly been "exceptional."

On April 14, 1970, the Fifth Circuit, also relying on this Court's *Precision Instrument* standard, enunciated a significantly more stringent rule governing an applicant's duty of candor and fairness in disclosing known prior art to the Patent Office than that enforced by the Seventh Circuit. In *Beckman Instruments, Inc.* v. *Chemtronics, Inc.*, 428 F. 2d 555, 564 (5th Cir., 1970), 165 U. S. P. Q. 355, 363, the Fifth Circuit said:

> "Appellants' conduct must be examined against the standard of conduct required of an applicant before the Patent Office. The Patent Office does not have full research facilities of its own, and it has never been intended by Congress that it should. *In examining patents, the Office relies heavily upon the prior art references that are cited to it by applicants. It is therefore evident that our patent system could not function successfully if applicants were allowed to approach the Patent Office as an arm's length adversary.*" (Emphasis added.)
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> • • • • •
>
> "The district court held that the appellants were not guilty of 'fraud' in this case. We find either that the district court was applying the wrong legal standard by construing fraud to mean something less than the 'uncompromising duty' of disclosure required by the cases or, alternatively, that the finding is clearly erroneous under the evidence as a whole. We are left with the 'definite and firm conviction' that appellants' conduct did not measure up to the legal standard." (165 U. S. P. Q. 363.)
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> • • • • •

> "Appellants' only reply to these facts is that they did not consider Stow's work to be relevant prior art. This assertion, however, is rendered utterly incredible both by Beckman's conduct and by the obvious similarity of the Stow and Clark devices. Furthermore, the determination that the prior art did not render the patent invalid should have been left to the Patent Office rather than being decided privately by Beckman and Clark. Consequently, we conclude that there was no excuse for appellants' failure to disclose Stow's work to the Patent Office, and this conclusion prevents us from considering Beckman's conduct as fulfilling an 'uncompromising duty' of good faith disclosure. We are constrained to hold the patent invalid on this ground, also." (p. 364.)

The Fifth Circuit sent the case back to the District Court for a full hearing on a counterclaim alleging an antitrust violation under this Court's ruling in *Walker Process Equip. Co.* v. *Food Mach. & Chem. Co.*, 382 U. S. 172 (1965).

The potential sanction of treble damages under this Court's *Walker Process* doctrine is a meaningful inducement to full disclosure by a patent applicant in situations where there is *intentional fraud* on the Patent Office and where the alleged exclusionary scope of the patent dominates a relevant market in commerce, but it is no inducement at all to full disclosure in the majority of situations where the elements necessary to make out a case of direct, deliberate fraud or an antitrust case over and above the fraudulent patent procurement are lacking. In these situations only the potential sanction of 35 U. S. C. § 285 serves as a prod to full candor and fairness before the Patent Office. The Seventh Circuit's virtual elimination of this potential sanction has removed its practical importance as a balancing feature in the *ex parte*, confidential patent application system. This Court should establish the sanction of attorney fees as the controlling law for all applicants and patentees.

Finally, a District Court sitting in the Third Circuit, has exhaustively considered the prior decisions of this Court

and has concluded that the patent applicant "should be held to the same standard of truthful disclosure to the Patent Office that Congress has required of the seller of securities to the public." The Court in *Monsanto Co.* v. *Rohm & Hass Co.*, 312 F. Supp. 778, 793 (D. C. E. D. Pa., 1970), 164 U. S. P. Q. 556, 568, reasoned:

> "We have concluded that the decisions of the Supreme Court[6] require the highest degree of scientific candor on the part of patent applicants in their dealings with the Patent Office. We believe this standard forbids not only the affirmative making of false statements of material fact, but also the suppression of facts known to the applicant which are inconsistent with statements made by the applicant in pursuit of a patent. * * * The plaintiff's intentional failure in this case to state material facts, whereby it misled the Patent Office, was sufficiently inequitable to invalidate its patent. To distinguish the making of false statements of material fact to the Patent Office from misleading omissions of material fact would be to invite the kind of deception that occurred here. *We conclude that there is no rational basis for a distinction between affirmative misrepresentations and misleading omissions.*" (Emphasis added.)

The Seventh Circuit's holding that there must be a "deliberate misrepresentation" of fact as opposed to an "omission of fact" is not only illogical but would seem to reward an applicant for its silence. In the instant case Scott Paper Company, in its arguments to the Patent Office, was very careful to state that its paper structure was "distinguishable over the art *of record*." (Rec. App. p. 516.) Naturally, the prior art *of record* did not include the method of, or paper structure resulting from, perforating and embossing paper between two wire screens.

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6. *Walker Process Equipment, Inc.* v. *Food Machinery & Chemical Corp.*, 382 U. S. 172 (1965); *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Machinery Co.*, 324 U. S. 806 (1945); *Hazel-Atlas Co.* v. *Hartford Empire Co.*, 322 U. S. 238 (1944); *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240 (1933).

The Seventh Circuit's established rule "that attorneys' fees should not be awarded under 35 U. S. C. § 285 except to prevent gross injustice *and* where fraud and wrongdoing are clearly proved" is both unworkable and self-defeating. The other Circuits' disagreement with this unworkable standard is understandable. To correct the law in the Seventh Circuit, this Court should clearly reiterate, once and for all, that "uncompromising duty" requires an applicant to be completely fair with the Patent Office. Furthermore, this Court now, for the first time, should establish the standard under which the sanction decreed by Congress in 35 U. S. C. § 285 may be used to enforce the "uncompromising duty."

> "The party who succeeds in invalidating the unlawful patent performs a valuable public service. It is appropriate under such circumstances to reward the prevailing party by giving him attorneys' fees for his efforts, and it is equally appropriate to penalize in the same measure the patentee who obtained the patent by his wrongdoing." *Monolith* v. *Kaiser*, 407 F. 2d 288, 294 (9th Cir., 1969).

CONCLUSION.

For these reasons, a Writ of Certiorari should issue to review the judgment and opinion of the Seventh Circuit. The issues can be reviewed at the same time as the issue presented in Question II in Appellate Docket No. 338 which also questions the Seventh Circuit's standard of candor and fairness for a patent applicant before the Patent Office.

In the alternative, it is requested that the Supreme Court hold this Petition in abeyance pending disposition of the *Blonder-Tongue* writ and then remand this case to the Seventh Circuit for reconsideration in view of the Court's action in that case. The latter alternative, while sought, is not considered wholly adequate since the *Blonder-Tongue*

issue does not involve consideration of the Seventh Circuit's interpretation of "exceptional" under 35 U. S. C. § 285.[7]

Respectfully submitted,

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November ....., 1970.

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7. The alternative is also unsatisfactory because it would probably foreclose a review of the Seventh Circuit's remarkably inconsistent "findings," not made by the District Court, that:

> "Since there is sufficient evidence in the record that Scott, in good faith, disagreed with Fort Howard and the court as to the pertinence of Crane and Oldofredi, we are of the view that reversal is not required. This is not a case where the non-disclosed prior art is almost identical with the patentee's invention, and therefore the cases cited by Fort Howard are inapposite." (App. p. 12a.)

The Seventh Circuit apparently felt constrained to make such "findings" in order to shoe-horn Scott's conduct within the Seventh Circuit's own "standard." The "findings" are both remarkable and inconsistent because the Seventh Circuit had previously in its decision, stated:

> "We agree with the district court that both Crane and Oldofredi disclose the *method and structure* in the plaintiff's claims. Both teach a method of embossing paper and other material by placing it between two wire screens and applying pressure to the resultant 'sandwich'. Both also describe the paper as having perforations when removed from the rollers." (App. pp. 6a-7a.)
>
> * * * * *
>
> "The absence of any teaching in the Scott patent on using the wire screen in any way different from the prior art strengthens this conclusion." (App. p. 8a.)

There simply is no evidence in the record of good faith on the part of Scott unless it appears in the *in camera* documents contained in Envelope 666AA to which Petitioner has been denied access. Indeed the Crane and Oldofredi patents were produced from Scott's files under the heading "List of Patents in Plaintiff's File *Relative to Subject Matter in Suit* and *Collected Prior to Issuance* of Patent in Suit." (Emphasis added.) (Rec. App. p. 731.)

APPENDIX.

IN THE UNITED STATES COURT OF APPEALS
For the Seventh Circuit

SEPTEMBER TERM, 1969—APRIL SESSION, 1970

Nos. 17569, 17570
SCOTT PAPER COMPANY,
Plaintiff-Appellant and Cross-Appellee,
vs.
FORT HOWARD PAPER COMPANY,
Defendant-Appellee and Cross Appellant.

Appeal from the United States District Court for the Eastern District of Wisconsin.

September 4, 1970

Before MAJOR, *Senior Circuit Judge*, KILEY, *Circuit Judge*, and ESCHBACH, *District Judge*.[1]

KILEY, *Circuit Judge*. Scott Paper Company (Scott) appeals from a judgment against it in this patent infringement action. Fort Howard Paper Company (Fort Howard) cross-appeals from the district court ruling denying it attorney fees. We affirm the judgment and ruling.

Scott is a Pennsylvania, and Fort Howard a Wisconsin, corporation. The patent in suit, No. 2,834,809, issued May 13, 1958.[2] On August 26, 1960, Scott filed the present suit,

1. Judge Eschbach of the United States District Court, Northern District of Indiana, is sitting by designation.

2. The patent issued to Richard W. Schutte, Kenneth W. Britt and Albert L. McConnell who assigned the patent to Scott.

charging that Fort Howard Brand 296 infringed the patent in suit. Defendant's answer denied infringement and affirmatively charged invalidity, patent misuse and unclean hands. The district court found infringement if the patent is valid, but sustained the affirmative defense of invalidity on the ground of obviousness in view of the prior art. The court decided also that Scott was not guilty of fraud upon the Patent Office or of unclean hands and denied Fort Howard's claim for attorney fees.

The patent in suit contains eighteen claims describing paper structure (Claims 3-18) and a method for forming paper into that structure (Claims 1-2). Although no particular end use was claimed in the patent, the paper was designed to be used as an industrial paper towel having the necessary attributes of bulk, durability, and high oil absorbency and oil storage capacity. As indicated in the specifications, the paper contemplated by the patent is an absorbent paper for use as towels and wipers and particularly suitable as a disposable industrial wiper capable of substituting for cloth industrial wipers. The attributes noted are obtained by pressing two or more sheets of paper between two identical mesh screens or between two rolls having screen-like patterns engraved on the surfaces.

This process has the effect of creating crests and depressions in the paper, with the crest on the one side forming the depression on the other side and vice versa. On the sloping areas between the crests and depressions, the paper is ruptured by the working of the screens or rolls.[3] The

3. Claim 3 is representative of the product claims:

Paper having a plurality of crests and depressions in each side thereof, the depressions in one side forming the crests on the other side and the crests on the one side forming depressions in the other side, sloping connecting portions intervening

indentations in the paper act as scrapers to scoop up grease and oil; the fibrous strands of shredded paper protruding from the ruptures serve as wicks to absorb and direct fluids to the interior of the paper where it is gathered in the unworked crests and depressions. The following diagram graphically illustrates the structure of the Schutte invention.

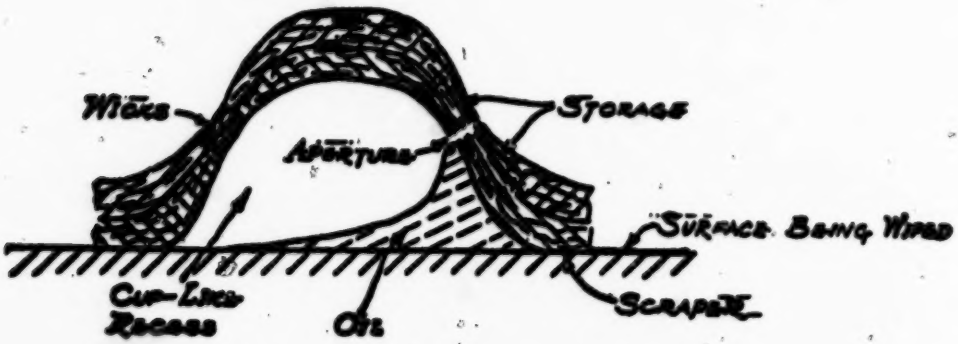

Figure 1[4]

The working of only the slopes of the paper creates an effective bond between the layers of paper, thereby providing the bulk necessary for machine wiping. At the same

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crests and depressions, the paper being ruptured in areas which form said sloping connecting portions, said paper including substantial areas which are not ruptured.

Product Claims 4-18 only slightly vary the language of Claim 3. Claims 4-6 describe the sloping areas as being worked beyond the elastic limit (Claim 4); as compressed (Claim 5), and as having apertures (Claim 6). Claims 7-10 describe the working as being in slopes between "most nearly adjacent crests and depressions." Claims 11-14 describe a two-ply product. Claims 15-18 describe paper undulating in cross-section with a substantially greater thickness than that of the base stock from which the paper was formed and having a compressibility factor of at least 2 to 1 at a pressure of 21 pounds per square inch.

4. At the trial, sample papers were viewed through a stereomicroscope in order to observe the markings in this diagram.

time, by limiting the ruptures and apertures to 10% of the total area, the paper absorbed oil satisfactorily without sacrificing durability, which was the main hurdle in the development of a good industrial paper.[5]

The two method claims[6] involved in the suit concern the process of manufacturing the product by passing paper between two matched rolls upon which are engraved identical screen-like patterns. The unique feature of this device claimed by plaintiff is the specification that the distance between the surfaces of the rolls must be less than the thickness of the processed paper only in the sloping areas (28 and 29 of Figure 2) so that paper is worked beyond its elastic limit only in those areas; and that the clearance between each crest (24) on one roll and matching depression (25) on the other roll must exceed the thickness of the base stock so that the paper is left unworked in the crests and depressions.

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5. Absorbency and durability were generally considered incompatible, because, as a rule, a good absorbent material must be porous, but a highly porous product usually lacks strength and durability. Efforts to increase the strength of such a product by compressing multiple thicknesses together resulted in an overall compression of the sheet and consequent loss of absorbency. Brief for appellant, pp. 8-9, *Scott Paper Co.* v. *Fort Howard Paper Co.*

6. Claim 2 is representative of the method claims:

> The method of forming bulky paper from base stock which method comprises supporting two rolls having substantially identical patterns including high and low areas formed thereon in juxtaposition so that the high areas on one roll extend into the low areas on the other roll and so that the distance between the surfaces of the rolls is less than the thickness of the base stock only in the sloping areas intervening the high and low spots on each roll, and passing the base stock between the rolls to deform the paper and to work it beyond the elastic limit of the paper in the said sloping areas between the high and low spots on the rolls, while leaving undeformed substantial areas of said paper.

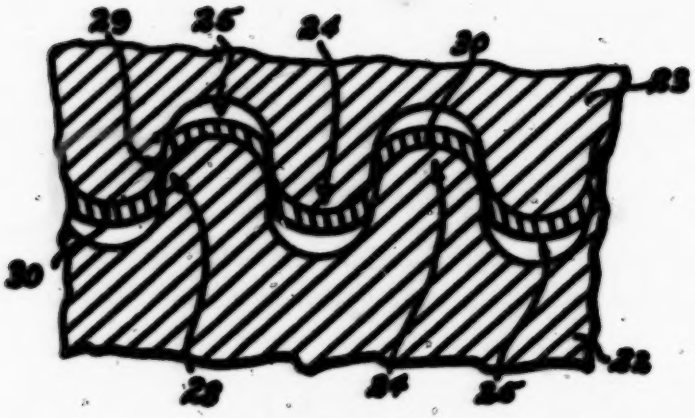

Figure 2

Prior Art.

When the application for the patent in suit was filed, there was well known in the art the embossing of paper; the fact that perforation or working of a properly selected paper and consequent exposure of fiber ends increased absorbency,[7] *see, e.g.*, Milliken Patent No. 2,281,945 (paper napkin), Jaeger Patent No. 495,976 (blotting paper), Conradson Patent No. 1,384,515 (paper towel); and the process of pressing specially selected paper between wire screens in order to achieve a perforation-embossing, or ruptured-worked effect.

Crane Patent No. 118,204 describes a method of treating bank checks to prevent and detect alteration by placing the completed check between two pieces of wire cloth and passing the resultant "sandwich" between two rollers, causing minute embossing and perforating in the paper. Oldofredi Patent No. 2,370,186 describes a method of imprinting decorative designs on paper or other material by passing the paper or material between two wire screens.

The prior art, however, contained no use of the wire

7. The working of paper to expose fiber ends forming wicks is not claimed by Scott as its invention.

screen perforation-embossing method to form absorbent paper wipers, and neither the Crane nor Oldofredi patents were cited to, or considered by, the Patent Office in the prosecution of the application.

The Findings of the District Court.

The district court found that the Crane and Oldofredi patents in the prior art disclosed both the method and the structure in the claim of the Scott patent, and that no presumption of validity of the patent exists in light of these undisclosed prior art patents.

The court recognized that there were "details" in the claims not specifically mentioned in either Crane or Oldofredi. However, the court thought that such details as "the location of the working and failure to work substantial areas are inherent" in the wire screen embossing art. The court stated that Scott's patent merely adapted Crane and Oldofredi to different paper stock and used coarser screen mesh. This adaptation, concluded the court, would be obvious to a person skilled in the art and did not rise to the status of a patentable invention.

We agree with the district court that both Crane and Oldofredi disclose the method and structure in the plaintiff's claims. Both teach a method of embossing paper and other material by placing it between two wire screens and applying pressure to the resultant "sandwich."[8] Both also

8. "The check or draft, having been filled up and signed in the usual way, is placed between two pieces of wire cloth, or wire gauze, and with them introduced between two metal pressure rollers and rolled between them by turning the said rollers." Crane Patent No. 118,204, Col. 1, lines 31-36.

Oldofredi Patent No. 2,370,186, p. 6, Col. 2, lines 9-18 states:

. . . [W]hat I claim as new and desire to be secured by Letters Patent is as follows:

1. An Article for reproducing a three-dimensional design comprising a wire fabric the upper and lower surfaces of

describe the paper as having perforations when removed from the rollers.[9]

Oldofredi states that weavelike elevations will appear in the pressed paper, and if sufficient pressure is applied the paper will be perforated in the areas adjacent to the elevations. The paper, of course, would remain unworked and unperforated in the elevations since these areas have passed through the interstices of the screen. Crane teaches that rollers engraved with a proper formation may be substituted for the wire gauze.

Scott argues that its patent differs from or improves on the Crane and Oldofredi devices in that the roller apparatus is designed so that the distance between the surfaces of the roller is less than the thickness of the paper only in the sloping areas between the intervening high and low spots. This process produces a bulky paper product with ruptures and apertures only in the sloping areas, leaving substantial areas unworked.

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which having depressions symmetrical to and opposite each other.

2. A method of embossing sheet material, which comprises pressing said material with a wire mesh die having a compacted design area.

9. "[The invention] consists in subjecting . . . papers . . . to a perforating, embossing, or indenting process by which the fiber or texture of the paper is so cut, broken up, or affected as to make it difficult to write upon." Crane Patent No. 118,204, Col. 1, lines 15-22.

"When the check or draft is removed from between the pieces of wire-cloth or wire gauze, it will be found to be minutely embossed all over, and also full of very fine perforations." *Id.* at lines 36-39.

Oldofredi Patent No. 2,370,186, p. 5, Col. 1, lines 7-15, states:

> By regulating the pressure of the rollers, any degree between superficial, slight indentation and a deep impression may be obtained. The latter effect resembles perforation, the many minute junctions of warp and shute performing a function similar to a function performed by an equal number of perforating needles, and puncturing the final material.

We think however that the trial court did not err in finding that these details, although not specifically mentioned in the Crane and Oldofredi claims, inhere in the use of wire screen in the embossing operations. The specifications with respect to the roller apparatus merely describe a roller with a screen-like formation engraved thereon. This was substantially taught by Crane. The ruptures and apertures in the sloping areas and the unworked depressions and elevations of the paper structure would inevitably result when selected paper is compressed between two screens of suitable mesh and diameter. We think that the trial court could reasonably find that this is a matter that would be obvious to a person skilled in the art. The broad specifications of permissible screen sizes contained in the Scott patent imply this.[10] We think too that the correct alignment of the screens could also reasonably be found to be obvious to a person skilled in the art. The absence of any teaching in the Scott patent on using the wire screen in any way different from the prior art strengthens this conclusion.

Scott also contends that the Crane and Oldofredi prior art patents do not suggest its patent since they differ extensively from the Scott patent in objectives, problems to be solved and end product: Essentially, it argues that its patent has for its object use as an industrial wiper with the necessary attributes of bulk, strength, durability and oil absorption and storage capacity; and that Crane and Oldofredi were not designed for and would not have the necessary qualities of a workable industrial wiper.

The validity of a patent cannot be predicated upon the extra-claim qualities of the paper structure since functional

10. "An operative wire screen has a 12 x 12 mesh and is made of wire .047 inch in diameter, but screen of other mesh and wire-diameter may be used. For instance, the mesh may vary from a mesh of 6 x 6 to 24 x 24 with wire-diameter ranging from .023" to .072"." Schutte, et al. Patent No. 2,834,809, Col. 3, lines 31-35.

statements cannot be used to define over the prior art. *Mead Johnson & Co.* v. *Hillman's Inc.*, 135 F. 2d 955, 957-58 (7th Cir. 1943). The functional distinctions over the prior art are to be set out in the specifications to prove the required utility of the invention, rather than to define it.[11]

The validity of a patent cannot be upheld, either, on the basis of an end use of the invention. Use as an industrial wiper is not mentioned in any of the claims of the patent in suit, and the plaintiff, in restricting the scope of the invention to the claims, specifically disclaimed any end use. Moreover, the district court found that the plaintiff's particular use of the anticipated claims would have been obvious to one skilled in the art, and no evidence has been presented to persuade us that this conclusion was erroneous. Finally, Oldofredi contemplated the use of his device for other purposes.

> The easy attachability of wire fabrics to any kind of press or pressure roller . . . leads to the application of this method to mechanical appliances not yet used for three-dimensional working, and to the combination of it with printing and other paper working processes. In addition it may be applied to standard equipment of other industries. Oldofredi Patent No. 2,370,186, p. 6, Col. 1, lines 6-19.

The record supports the district court's conclusion that the Scott patent has merely adapted an old method to a new use by modifications obvious to one skilled in the art,

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11. Although the claims and specifications of the patent are often read together, Scott specifically requested that no reference be had to the specifications to limit or to any way restrict the claims of the patent:

> [I]t is therefore desired that the present embodiment be considered in all respects as illustrative and not restrictive, reference being had to the appended claims rather than to the foregoing description to indicate the scope of the invention.

Schutte et al. Patent No. 2,834,809, Col. 6, lines 3-7.

which does not constitute a patentable invention. *Triangle Conduit & Cable Co.* v. *National Elec. Prod. Corp.*, 149 F. 2d 87 (3rd Cir.), *cert. denied* 326 U. S. 744 (1945).

Scott challenges the conclusion of obviousness on the ground that the court failed to award the presumption of validity to its patent under Section 282 of the Patent Code (35 U. S. C. § 282). The presumption of validity of a patent, however, does not apply to prior art not cited to the Patent Office, *Hobbs* v. *Wisconsin Power & Light Co.*, 250 F. 2d 100, 105 (7th Cir. 1957), *cert. denied* 356 U. S. 932 (1958), and even one prior art reference not cited to the Patent Office can suffice to overcome the presumption, *Simmons Co.* v. *Hill-Rom. Co.*, 352 F. 2d 886, 888 (7th Cir. 1965). There is no basis for the challenge.

Scott also argues that the court erred in failing to consider, and make findings concerning, the long felt need and commercial success of the patented invention, the failure of its competitors in the art to develop a means of producing a satisfactory wiper, and the imitation of the product by the defendant within a short time after the product was placed on the market. We think that even if the trial court failed to consider such factors it would not require reversal. A similar argument was rejected by this court in *T. P. Laboratories, Inc.* v. *Huge*, 371 F. 2d 231, 236 (7th Cir. 1966).[12]

And in *Graham* v. *John Deere Co.*, 383 U. S. 1 (1965), the Supreme Court, in its first construction of Section 103 dealing with the obviousness of an invention, stated that the primary inquiry was to be "the scope and content of the

12. "Plaintiff also argues that the long felt need and commercial success of these patents and the failure of others to produce the inventions earlier demonstrate that the Kisling inventions were not obvious. Such secondary factors may sometimes tip the scales toward patentability, but they have little weight here where 'the limited claims of the . . . patent[s] are clearly evident from the prior art as it stood at the time of the invention.' *Graham* v. *John Deere Co.*, 383 U. S. at 36."

prior art," "the differences between the prior art and the claims at issue," and "the level of ordinary skill in the pertinent art"; "[a]gainst this background, the obviousness or nonobviousness of the subject matter is determined." 383 U. S. at 17. The Supreme Court went on to hold the patent invalid in spite of the "secondary considerations" of the invention's commercial success, long felt want and the failure of others to produce the invention. We find no merit in Scott's contention that the court erred with respect to "secondary considerations."

Furthermore, the record discloses two producers of paper towels had successfully marketed an industrial wiper[13] and that they presently control a percentage of the industrial paper market that is relatively proportionate to their overall size vis-a'-vis Scott. And the plaintiff was unable to cite any paper company which had unsuccessfully attempted to produce an industrial towel. The inexperience of the inventors in the embossing art[14] and the discovery of the invention within a month[15] after the inventors were assigned to the project lend additional support to the trial court's finding of obviousness.

Fort Howard's Cross-Appeal.

Fort Howard cross-appeals from the district court's holding that Fort Howard failed to prove that Scott was guilty of fraud or unclean hands by failing to cite Crane and Oldofredi to the Patent Office and claims error in denial of

13. Kimberly-Clark's "Kim-Wipes" and Crown Zellerbach's "Kaypees."

14. Mr. Richard Schutte, the main inventor of the patented device, testified that his experience with embossing occurred almost concurrently with his assignment to the project and Mr. A. L. McConnell, one of his two co-patentees, testified that his experience with embossing was "very limited."

15. The program was begun in May, 1952, and the device invented in June, 1952.

attorney fees under 35 U. S. C. § 285 for plaintiff's "exceptional conduct."

A finding that a patent was procured by fraud or unclean hands must be based on "clear, unequivocal and convincing" evidence. *United States* v. *American Bell Telephone Co.*, 167 U. S. 224, 251 (1897). The same standard of proof applies to the charge of unclean hands. *Armour & Co.* v. *Wilson & Co.*, 274 F. 2d 143, 148 (7th Cir. 1960); *Tractor Supply Co.* v. *International Harvester Co.*, 155 U. S. P. Q. 420, 433-34 (N. D. Ill. 1967). Unclean hands can be asserted only if there has been a deliberate misrepresentation in the Patent Office. *Baldwin-Lima-Hamilton Corp.* v. *Tatnall Meas. Sys. Co.*, 169 F. Supp. 1, 21 (E. D. Pa. 1958).

Here there was no finding by the court that Scott was guilty of deliberate misrepresentation. The finding is that Scott was aware of Crane and Oldofredi and failed to describe them to the Patent Office. Since there is sufficient evidence in the record that Scott, in good faith, disagreed with Fort Howard and the court as to the pertinence of Crane and Oldofredi, we are of the view that reversal is not required. This is not a case where the non-disclosed prior art is almost identical with the patentee's invention, and therefore the cases cited by Fort Howard are inapposite.

The absence of the requisite finding of deliberate misrepresentation is fatal also to defendant's reliance on the oath of inventorship, 35 U. S. C. § 115, required of patent applicants, in support of its contention that plaintiff was guilty of fraud and unclean hands in its application before the Patent Office. Although the application for a patent "requires the highest degree of candor and good faith," *Kingsland* v. *Dorsey*, 338 U. S. 318, 319 (1949), and patent applicants have an "uncompromising duty to report to [the Patent Office] all facts concerning possible fraud or in-

equitableness underlying the applications in issue." *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Mach. Co.*, 324 U. S. 806, 818 (1945), the burden of proving fraud is not lightened by 35 U. S. C. § 115. *See United States* v. *Standard Electric Time Co.*, 155 F. Supp. 949, 952 (D. Mass. 1957), *app. dism.* 254 F. 2d 598 (1st Cir. 1958).

This court in *Sarkes Tarzian, Inc.* v. *Philco Corp.*, 351 F. 2d 557, 560 (7th Cir. 1965), stated: "We think it is well established, at least in this Circuit, that attorneys fees should not be awarded under 35 U. S. C. § 285 except to prevent gross injustice and where fraud and wrong-doing are clearly proved." There is no showing that this is an exceptional case.

We do not deem worthy of discussion Fort Howard's final contention, raised for the first time in its reply brief, that the district court erred in its ruling on the admissibility of certain documents. The court did not abuse its discretion in this ruling.

AFFIRMED.

[636] UNITED STATES DISTRICT COURT.
* * (Caption—60-C-156) * *

FINDINGS OF FACT AND CONCLUSIONS OF LAW.

The patent aspects of the above case excepting damages having come on for trial by the court, and the court having considered the evidence adduced at the trial and the arguments of counsel and being fully informed, does hereby make and file the following Findings of Fact and Conclusions of Law:

Findings of Fact.

1. The plaintiff, Scott Paper Company, a Pennsylvania corporation, is the owner of Letters Patent No. 2,834,809, entitled "Absorbent Paper," issued on May 13, 1958, on an application filed July 6, 1953.

2. The defendant, Fort Howard Paper Company, is a Wisconsin corporation with its principal place of business in this district.

3. The complaint charges the defendant with infringing Patent No. 2,834,809 by making, using and selling paper covered by the claims thereof. The answer denies infringement and alleges invalidity of the patent, and the defendant has counterclaimed for a declaratory judgment of invalidity and non-infringement. Counterclaims charging unfair competition and patent misuse have also been filed. All issues regarding the patent aspect of the case, excepting damages, have been tried, briefed and argued.

[637] 4. There are eighteen claims—two method claims and sixteen product claims—in the patent in suit. The validity of those claims concerning which the plaintiff has not pressed a charge of infringement, being Claims 5, 9, 13, 15, 16, 17 and 18, is in issue by reason of the counterclaim.

5. The claims describe an allegedly unique paper structure and a method for forming paper into that structure. The method claims, Claims 1 and 2, set forth a process for forming paper or bulky paper by supporting two rolls, with substantially identical patterns on their surfaces of high and low areas with sloping connections, and passing the paper between those rolls. The pattern is one in which the high areas on one roll extend into the low areas on the opposing roll, but come closer to each other than the thickness of the paper being passed between the rolls only in the slopes, with the result that the paper is shaped into an undulating pattern but is worked, or worked beyond its elastic limit, only in the sloping areas. The independent product claims, Claims 3, 4, 5 and 6, describe paper having a plurality of crests and depressions, the depressions on one side forming the crests on the other and vice versa, with sloping connecting portions intervening the crests and depressions, the paper being ruptured (Claim 3), worked beyond the elastic limits (Claim 4), compressed (Claim 5), or having apertures (Claim 6) in the slopes but having substantial areas not so worked. Dependent Claims 7, 8, 9 and 10 describe the working as being in slopes between most nearly adjacent crests and depressions; dependent claims 11, 12 13 and 14 describe a two-ply product; dependent Claims 15, 16, 17 and 18 describe paper undulating in cross-section with a substantially greater caliper (thickness) than that of the base stock and having a compressibility factor of at least 2 to 1 at a pressure of two pounds per square inch.

6. As indicated in the specifications, the paper contemplated by the patent is an absorbent paper for use as towels and wipers and particularly [638] suitable as a disposable industrial wiper capable of substituting for cloth industrial wipers by reason of its strength, bulk, effective wiping surface, affinity for oils and high fluid-holding capacity.

7. The alleged invention was discovered in June of 1952 when one of the applicants for the patent placed a piece of paper between two wire screens and hit the resulting sandwich with a hammer. The claims of the patent in suit describe a wire screen pattern and the specifications provide that the projections on the rolls which shape the paper may be formed by machining or engraving the roll surfaces into that pattern or may be provided by wrapping screens of wire mesh around a smooth cylindrical roll.

8. Since 1960 and up to the present time, the defendant has marketed the industrial wiper known as Brand 296 concerning which the plaintiff charges infringement.

9. The defendant has advanced three arguments in support of its position that its Brand 296 wiper does not infringe the claims of the patent in suit pressed by the plaintiff. It first contends that the patent requires controlled symmetry in the working of the paper on the slopes between crests and depressions, that is, working on the slopes on both sides of the crests and depressions, and that the working in its product is on one side only. It then contends that the claims do not specify the boundaries of the sloping areas intervening crests and depressions and states that its paper is worked not on the slopes but in the crest area where the side or slope of the crest joins the slope. Third, the defendant contends that its rolls do not have a wire screen pattern and contrasts its pattern design with that used by the plaintiff.

10. We have carefully examined the record herein and find nothing in that record and particularly in the patent itself or the file wrapper requiring the controlled symmetry which the defendant claims is necessary if [639] infringement is to be found. Controlled working of the paper is required only to the extent that the working must take

place on the slopes, but we find no requirement that slopes on both sides of a crest or depression must be worked.[1]

11. We find no merit to the defendant's contention that the claims of the patent in suit are indefinite in their description of the boundaries of the crests and depressions as opposed to the sloping connecting portions and the related contention that is wiper charged with infringement is worked in the crest areas and not in the slopes as required by the claims. The method claims refer to sloping areas between high and low areas or spots on the rolls and the product claims refer to sloping connecting portions intervening crests and depressions, descriptions which are sufficiently definite when considered in the light of the specifications which point out that working on the slopes is not visible when the paper is viewed at an angle of substantially 90° to the plane of the sheet and are visible only when the sheet is viewed obliquely to the plane thereof. Working of the defendant's wiper occurs in the area designated in the patent and it is clear from the product and the testimony that the defendant's rolls are patterned as described in the method claims.

12. We likewise find no merit to the defendant's contention that infringement is not present because the defendant does not utilize a screen simulated pattern on its rolls. The defendant's pattern is screen simulated to the extent that it causes the same type of working of the paper as would be caused by a 12 x 12 mesh screen except for the angle, a difference which we do not consider significant or a departure from the teachings of the patent.

[640] 13. Having found the defendant's only arguments in support of its position that no infringement has been proved to be without merit, we see no need to consider

1. Figures 3, 4, 6, 8 and 9 of the patent do show working on both slopes, but these illustrations have not been incorporated into the claims or described in the specifications as a limitation.

in detail each element of the claims as asserted by the plaintiff. It is sufficient to state that the record establishes that the defendant's Brand 296 industrial wiper contains each element of the product claims charged to be infringed and that each element of the method claims is present in the defendant's process of manufacturing that wiper.

14. In Spring of 1952, plaintiff's Research Division began working to develop a paper product suitable for use as an industrial paper wiper and capable of replacing rags or shop cloths. The qualities sought in such a product were: (1) strength, bulk and bulk stability, (2) softness, (3) ability to absorb, hold and cut into oil, and (4) good adhesion between plies. Depending on the type of paper used, all of those qualities except ability to absorb and hold oil could be imparted to a properly selected paper by the treatment of embossing.[2] The unsolved problem allegedly confronting the plaintiff was to develop a paper and method of manufacture of a paper having the desired qualities of an embossed product but having, in addition, ability to absorb and hold oil.

15. The embossing of paper was an admittedly well known treatment before filing of the application for the patent in suit. Also revealed in the prior art was the fact that perforation or working of a properly selected paper, and consequent exposure of fiber ends, increased absorbency (See for example, Milliken Patent No. 2,281,945; Jaeger Patent No. 495,976; Conradson Patent No. 1,384,515) and the plaintiff does not assert as its invention the working of the paper so as to expose fiber ends forming wicks to absorb.

[641] 16. Long before the application for the patent in

2. "Embossing" involves impressing a pattern on sheet material, normally with a mated set of rolls, and compresses a majority of the sheet. This compression interferes with ability to absorb and hold oil.

suit was filed, the pressing of paper between wire screens to obtain a perforating-embossing effect was known in the art (See Crane Patent No. 118,204; Oldofredi Patent No. 2,370,186) but no patent involving such treatment was considered by the Patent Office during its prosecution. The record before us does not reveal any prior art in which such treatment was used to form an absorbent paper towel or wiper.

17. Crane Patent No. 118,204 describes a method of treating bank checks, etc. to prevent and detect alteration by placing the completed check between two pieces of wire cloth and sending the resultant sandwich between adjustable metal rollers, causing minute embossing and perforating in the paper, and indicates that the surface of the rollers may be properly formed as an alternative to using screens. In our opinion, the type of paper stock contemplated for use in Crane was not selected to function as an absorbent paper, and the grade of wire, while not described, was to be selected so as to accomplish the purpose of the patent with the type of paper in mind. The patent teaches that in writing over the treated paper ink will penetrate through to the other side, and has as an object the cutting, breaking up or affecting of the fibers or texture of the paper.

18. Oldofredi Patent No. 2,370,186 describes a method of and a means for decorating paper or other material with a three-dimensional effect between wire screens on which a pattern has been formed, and, like Crane, for protecting checks, etc., against alteration with the use of wire screens.

19. We agree with the defendant that both Crane and Oldofredi disclose the method and structure in the plaintiff's claims, and that those details in the claims not specifically mentioned in Crane and Oldofredi, such as details

relating to the location of the working and failure to work [642] substantial areas, are inherent in the use of wire screens in the embossing operation. In our opinion, all that the plaintiff has done in its patent is to vary the teachings of Crane and Oldofredi to accommodate them to a different type of paper stock than was contemplated in those patents by using a coarser wire mesh. This use of a coarser wire mesh would be obvious to one skilled in the art and a properly selected wire would mesh automatically. As stated in Oldofredi, P. 4, Col. 2, "The wire fabric . . . has to be chosen in accordance with . . . the final material to receive the reproduction. . . ." Use of the teachings of Crane and Oldofredi for a different purpose—forming absorbent paper wipers, etc.—by modifications obvious to one skilled in the art does not constitute a patentable invention.

20. Both Crane and Oldofredi are better references than prior art considered by the Patent Office during prosecution of the patent in suit and no presumption of validity exists with respect to those patents.

21. Before the patent in suit issued, the plaintiff, to which the patent was assigned prior to issuance, was aware of the existence of Crane and Oldofredi but failed to call those patents to the attention of the Patent Office. The defendant contends that this failure, plus the failure to disclose the existence of Kitchen Patent No. 1,734,297,[3] also known to the plaintiff, and statement made to the Patent Office to the effect that breakage of paper during embossing was previously considered objectionable, constituted material omissions and misrepresentations such as to render the patent unenforceable. Since the Patent Office was aware of the existence of Milliken Patent No. 2,281,945,

3. The defendant points to Kitchen, which deals with toilet or cleansing tissue, to show that breakage of tissue was not objectionable in paper used for drying hands and face.

teaching the benefits of perforations with respect to absorbency, we do not believe that statements as to the objectionability of breakage were [643] necessarily material. Although as we have stated, Crane and Oldofredi were more pertinent references than those cited in the Patent Office, we are not satisfied that the plaintiff is guilty of inequitable conduct or unclean hands.

22. On or about August 29, 1960, the plaintiff sent notices to its distributor and salesmen informing them of the filing of this action. In the notice, it stated that the patent in suit applied to its unique perf-embossed paper and the method for its manufacture and covered various Scott towels and Scott industrial wipers. The defendant contends that the plaintiff has been guilty of patent misuse by reason of the notice in claiming a scope of coverage for the patent in excess of that now claimed,[4] and that the plaintiff has been guilty of patent misuse in pressing for issuance and enforcement of its patent with knowledge of anticipatory prior art. We do not perceive in the record any limitation of the plaintiff's claim of coverage evidencing a knowledge that its notices of August, 1960 were too broad. While the trial record was limited almost exclusively to industrial wipers, it was an industrial wiper which was charged to infringe, and we find no admission by the plaintiff, tacit or otherwise, that its patent is limited to industrial wipers contrary to the statement in its August, 1960 notice. Just as we are not satisfied that the plaintiff is guilty of inequitable conduct or unclean hands by reason of material omissions or misrepresentations in the Patent Office, we do not believe that the plaintiff has been shown to be guilty of patent misuse due to its knowledge of the prior art.

4. The defendant apparently insinuates that the plaintiff has now narrowed its claim as to the scope of the patent demonstrating that it realized that the notices of August, 1960, were erroneous as to scope.

Conclusions of Law.

1. This court has jurisdiction of the parties and the subject matter.

[644] 2. The defendant has infringed Claims 1 to 4, 6 to 8, 10 to 12 and 14 of the patent in suit by its manufacture and sale of Brand 296 industrial wipers.

3. The claims of the patent in suit are invalid because their subject matter as a whole would have been obvious to a person having ordinary skill in the pertinent art in view of the Crane and Oldofredi patents which were not cited by the Patent Office.

4. The claims of the patent in suit are not defective for failure to describe the boundaries of the crests and depressions.

5. The defendant has failed to prove that the plaintiff has been guilty of patent misuse or of fraud or unclean hands before the Patent Office.

Dated, Milwaukee, Wisconsin, this 23rd day of December, 1968.

Robert E. Tehan,
U. S. District Judge.

UNITED STATES COURT OF APPEALS
For the Seventh Circuit.
Chicago, Illinois 60604.

Wednesday, November 18, 1970.

Before HON. ROGER J. KILEY, *Circuit Judge.*

SCOTT PAPER COMPANY,
Plaintiff-Appellant (Appellee),
No. 17569, 17570 *vs.*
FORT HOWARD PAPER COMPANY,
Defendant-Appellee (Appellant).

Appeals from the United States District Court for the Eastern District of Wisconsin.

This matter comes before the Court on the request of counsel for Fort Howard Paper Company that the Clerk of this Court transmit to the Clerk of the Supreme Court a certain manila envelope (No. 666AA) and its contents (certain impounded exhibits). It appearing to the Court that, by order of January 26, 1970, the Court directed that the Clerk of this Court shall retain such envelope "subject to further order of this Court", counsel for Scott Paper Company was requested to set forth his views to the Court. A letter was received from counsel for Scott Paper Company on November 16, 1970, and a letter in reply thereto was received from counsel for Fort Howard Paper Company on November 17, 1970. On consideration whereof, this Court being fully advised in the premises,

IT IS ORDERED that the sealed envelope (No. 666AA) and its contents be certified by the Clerk of this Court and transmitted to the Clerk of the Supreme Court for use on petition for writ of certiorari therein.

IT IS FURTHER ORDERED that the Clerk of the Supreme Court of the United States return said envelope and its contents directly to the Clerk of this Court upon determination of such petition for writ of certiorari.

[illegible]

[illegible] Court of the United States

October Term, 1970

No. 1012

FORT HOWARD PAPER COMPANY, *Petitioner*,

v.

SCOTT PAPER COMPANY

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit

BRIEF FOR THE RESPONDENT IN OPPOSITION

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1970

No. 1012

FORT HOWARD PAPER COMPANY, *Petitioner*,

v.

SCOTT PAPER COMPANY

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit

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BRIEF FOR THE RESPONDENT IN OPPOSITION

OPINIONS BELOW

The district court's findings of fact and conclusions of law (Pet. 14a-22a) are not reported. The opinion of the court of appeals (Pet. 1a-13a) is reported at 167 U.S.P.Q. 4.

JURISDICTION

The judgment of the court of appeals was entered on September 4, 1970. The petition for a writ of certiorari was filed on November 27, 1970. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

QUESTIONS PRESENTED

1. Whether there is any need for further review of the concurrent findings of the two courts below that respondent was not guilty either of fraud or unclean hands in failing to cite as prior art, in an application for a patent on an absorbent industrial paper wiper, earlier patents for embossing bank checks and decorative paper, where both courts below found that respondent in good faith disagreed as to the pertinence of the two patents not cited.

2. Whether there was error in the concurrent holdings of the two courts below that the present case did not fall within those "exceptional cases" in which attorney fees may be awarded under 35 U.S.C. § 285.

STATUTES INVOLVED

1. Section 115 of Title 35, United States Code, provides:

> "§ 115. Oath of applicant
>
> "The applicant shall make oath that he believes himself to be the original and first inventor of the process, machine, manufacture, or composition of matter, or improvement thereof, for which he solicits a patent; and shall state of what country he is a citizen. Such oath may be made before any person within the United States authorized by law to administer oaths, or, when made in a foreign country, before any diplomatic or consular officer of the United States authorized to administer oaths, or before any officer having an official seal and authorized to administer oaths in the foreign country in which the applicant may be, whose authority shall be proved by certificate of a diplomatic or consular officer of the United States, and such oath shall be valid if it complies

with the laws of the state or country where made. When the application is made as provided in this title by a person other than the inventor, the oath may be so varied in form that it can be made by him."

2. Section 285 of Title 35, United States Code, provides:

"§ 285. Attorney Fees.

"The court in exceptional cases may award reasonable attorney fees to the prevailing party."

STATEMENT

A. Summary of the proceedings

This was the usual action for patent infringement, brought by the respondent Scott Paper Company (hereinafter "Scott") against petitioner Fort Howard Paper Company ("Fort Howard"), charging that Scott's U.S. Patent No. 2,834,809 (Schutte et al., "Absorbent Paper") had been infringed because of Fort Howard's manufacture and sale of high bulk paper industrial wipers.

The district court held the patent invalid for obviousness (Fdgs. 14-20, Pet. 18a-20a; Conc. 3, Pet. 22a) but went on to hold that, if valid, it had been infringed by Fort Howard (Fdgs. 8-13, Pet. 16a-18a; Conc. 2, Pet. 22a). The district court found and held (Fdg. 21, Pet. 20a-21a; Conc. 5 Pet. 22a) that Scott had not been guilty of inequitable conduct or unclean hands before the Patent Office.

The court of appeals affirmed the district court on each of the foregoing matters, except infringement, which it did not consider; and it also rejected Fort Howard's claim for attorney fees under 35 U.S.C. § 285 (Pet. 1a-13a).

Scott did not seek review here of the holding of invalidity; but Fort Howard seeks further consideration of the concurrent holdings below that confirmed the lack of support for its charges of unclean hands and fraud, and that denied its plea for attorney fees. Consideration of those questions requires a brief recital of the details involved.

B. Relationship between the patent in suit and the two earlier patents held to be invalidating

We quote from the opinion below, omitting footnotes and the diagram included, to show the nature of Scott's patent (Pet. App. 2a-4a):

> "The patent in suit contains eighteen claims describing paper structure (Claims 3-18) and a method for forming paper into that structure (Claims 1-2). Although no particular end use was claimed in the patent, the paper was designed to be used as an industrial paper towel having the necessary attributes of bulk, durability, and high oil absorbency and oil storage capacity. As indicated in the specifications, the paper contemplated by the patent is an absorbent paper for use as towels and wipers and particularly suitable as a disposable industrial wiper capable of substituting for cloth industrial wipers. The attributes noted are obtained by pressing two or more sheets of paper between two identical mesh screens or between two rolls having screen-like patterns engraved on the surfaces.
>
> "This process has the effect of creating crests and depressions in the paper, with the crest on the one side forming the depression on the other side and vice versa. On the sloping areas between the crests and depressions, the paper is ruptured by the working of the screen or rolls. The indentations in the paper act as scrapers to scoop up grease and oil; the fibrous strands of shredded

paper protruding from the ruptures serve as wicks to absorb and direct fluids to the interior of the paper where it is gathered in the unworked crests and depressions. * * * The working of only the slopes of the paper creates an effective bond between the layers of paper, thereby providing the bulk necessary for machine wiping. At the same time, by limiting the ruptures and apertures to 10% of the total area, the paper absorbed oil satisfactorily without sacrificing durability, which was the main hurdle in the development of a good industrial paper."

Scott's patent was held invalid by both courts on the basis of the earlier Crane and Oldofredi patents (Fdgs. 16-20, Pet. 18a-20a; Conc. 3, Pet. 22a; C.A. 7 Op., Pet. 6a-10a). As stated by the court of appeals (Pet. 5a-6a):

> "Crane Patent No. 118,204 describes a method of treating bank checks to prevent and detect alteration by placing the completed check between two pieces of wire cloth and passing the resultant 'sandwich' between two rollers, causing minute embossing and perforating in the paper. Oldofredi Patent No. 2,370,186 describes a method of imprinting decorative designs on paper or other material by passing the paper or material between two wire screens.
>
> "The prior art, however, contained no use of the wire screen perforation-embossing method to form absorbent paper wipers, and neither the Crane nor Oldofredi patents were cited to, or considered by, the Patent Office in the prosecution of the application."

The record shows that, notwithstanding both courts' reliance on Crane and Oldofredi to invalidate the patent in suit, Fort Howard's patent expert admitted

while testifying that neither the bank checks of Crane nor the decorative paper of Oldofredi would be suitable as industrial wipers (App. 374-375, 378). There is no evidence that *anyone* actually working in the absorbent paper field ever perceived any significance in the Crane or Oldofredi patents, or ever adverted to them in attempting to develop an industrial towel or wiper.

We refrain from rearguing the position to which we still adhere—that the Crane and Oldofredi patents are of no help to one grappling with the problems solved by the patent in suit; it is sufficient to refer to the opinion below at Pet. 6a-12a to demonstrate the substantiality of Scott's contentions.

C. Fort Howard's rejected charges of fraud and unclean hands

In the court below Fort Howard contended but (Pet. 11a) "failed to prove that Scott was guilty of fraud or unclean hands by failing to cite Crane and Oldofredi to the Patent Office."

The district court made two findings relevant to that assertion (Pet. 20a, 21a):

> "20. Both Crane and Oldofredi are better references than prior art considered by the Patent Office during prosecution of the patent in suit and no presumption of validity exists with respect to those patents.
>
> "21. Before the patent in suit issued, the plaintiff, to which the patent was assigned prior to issuance, was aware of the existence of Crane and Oldofredi but failed to call those patents to the attention of the Patent Office. * * * Although as we have stated, Crane and Oldofredi were more pertinent references than those cited in the Patent

> Office, we are not satisfied that the plaintiff is guilty of inequitable conduct or unclean hands."

Conclusions of law in accord with the foregoing were entered by the district court (Conc. 3, 5; Pet. 22a).

Finding 21 was premised in part on Scott's own admission during discovery and trial that Crane and Oldofredi were among a number of patents of which it had been aware (DX 133, App. 731; App. 117). It did not cite them because it felt at the time—and still feels—that these patents are concerned with bank checks and decorative paper, plastics, etc., and are of no help to anyone seeking to develop an industrial wiper.

The court of appeals gave effect to Scott's failure to cite the two earlier patents, declaring that this overcame the presumption of validity with respect to the patent in suit (Pet. 10a). It then rejected Fort Howard's charges, saying (Pet. 12a):

> "A finding that a patent was procured by fraud or unclean hands must be based on 'clear, unequivocal and convincing' evidence. *United States* v. *American Bell Telephone Co.*, 167 U.S. 224, 251 (1897). The same standard of proof applies to the charge of unclean hands. *Armour & Co.* v. *Wilson & Co.*, 274 F.2d 143, 148 (7th Cir. 1960); *Tractor Supply Co.* v. *International Harvester Co.*, 155 U.S.P.Q. 420, 433-34 (N.D. Ill. 1967). Unclean hands can be asserted only if there has been a deliberate misrepresentation in the Patent Office. *Baldwin-Lima-Hamilton Corp.* v. *Tatnall Meas. Sys. Co.*, 169 F. Supp. 1, 21 (E.D. Pa. 1958).
>
> "Here there was no finding by the court that Scott was guilty of deliberate misrepresentation. The finding is that Scott was aware of Crane and

> Oldofredi and failed to describe them to the Patent Office. Since there is sufficient evidence in the record that Scott, in good faith, disagreed with Fort Howard and the court as to the pertinence of Crane and Oldofredi, we are of the view that reversal is not required. This is not a case where the non-disclosed prior art is almost identical* with the patentee's invention, and therefore the cases cited by Fort Howard are inapposite." (Footnote added)

From this it followed, according to the court below, first, that Scott was not guilty of unclean hands, and nothing in 35 U.S.C. § 115 (*supra*, p. 2) warranted a contrary conclusion because (Pet. 13a) "the burden of proving fraud is not lightened by 35 U.S.C. § 115"; and, second, that there was no basis for any award of attorney fees under 35 U.S.C. § 285 (*supra*, p. 3).

D. Fort Howard's brief criticism by court below because of reference to in camera material not included in record

Fort Howard's repeated references to "Envelope 666AA" (Pet. 6 n. 2, 7, 10, 20 n. 7) require more explanation than is vouchsafed by anything appearing in its petition.

In the course of pretrial discovery under Rule 34, F.R. Civ. P., Fort Howard sought discovery of "Any preliminary search report or patentability report" relating to the patent in suit. Scott invoked the at-

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* Despite this holding by the court of appeals, Fort Howard's petition continually refers to Crane and Oldofredi as disclosing the *same* invention as the patent in suit, or as *anticipating* it (Pet. 7, 9, 10, 13, 14, 15, 16). The holding of invalidity was based on obviousness under 35 U.S.C. § 103 (Conc. 3, Pet. 22a), not anticipation under § 102, and this was clearly recognized by the court of appeals (Pet. 6a, 8a-10a).

torney-client privilege and lack of good cause,* whereupon the district court ordered Scott to submit the documents in question for an *in camera* inspection. Those documents were then delivered to the district judge in a sealed envelope, marked to indicate the purpose of submission; this became Envelope 666AA.

The district court, after reviewing the contents and receiving the briefs and oral arguments of the parties, held the reports not "relevant to the issues herein", and denied discovery for lack of good cause without having to reach the issue of privilege (App. 42-43). For Howard did not raise the issue during subsequent pretrial proceedings, at the trial or thereafter, until its reply brief on appeal.

After judgment, the parties stipulated that Envelope 666AA need not be transmitted to the court of appeals by the district court clerk. By inadvertence, it was transmitted none the less, with its *in camera* status clearly marked on the envelope. Subsequently Fort Howard's counsel examined the contents of the *in camera* envelope and thereupon designated for printing in the appendix some of the *in camera* documents contained therein. Fort Howard's counsel also quoted from those *in camera* documents in its reply brief.

Scott moved for relief and the court of appeals—after reviewing all of the circumstances—ordered Fort Howard's reply brief stricken from the files, ordered Fort Howard's designation stricken accordingly, ordered Fort Howard to destroy all further copies of

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* Scott argued in brief and at a pretrial conference that the search reports were concerned with an inventive concept at variance with the one claimed in the patent in suit, which is directed to a process and product where the perforations are confined to the slopes between crests and depressions (App. 2-4) rather than the high points.

its reply brief, and ordered that "the clerk of this court shall seal the letters within said envelope and retain it subject to further order of this court." The complete text of the court of appeals' order of January 26, 1970, dealing with this matter, from which the statement under the present subheading is drawn, is set forth in full in the Appendix hereto, *infra*, pp. 20-22. This order, directing retention of the envelope by the clerk pending "further order of this court", *infra*, p. 22, must be read in order to fully understand the subsequent November 18, 1970 order of that court, presented unexplained by the petitioner at Pet. 23a.

Following the order striking its reply brief, Fort Howard was granted permission to file a new reply brief, in which it argued the matter of discovery. On that issue, the court of appeals said (Pet. 13a):

> "We do not deem worthy of discussion Fort Howard's final contention, raised for the first time in its reply brief, that the district court erred in its ruling on the admissibility of certain documents. The court did not abuse its discretion in this ruling."

We might add that the documents are of the same type recently held privileged by the court of appeals in *Natta* v. *Zletz*, 418 F.2d 633, 637 (C.A. 7, 1969):

> "The category 1 documents consist of correspondence between house and outside counsel and relate to or anticipate Interference 89,634. They were communications to attorneys for legal advice and assistance. Such communications clearly fall within the ambit of the attorney-client privilege." (Citing cases.)

Although Fort Howard several times refers to "Envelope 666AA" (Pet. 6 n. 2, 7, 10, 20 n. 7), its questions presented do not challenge the foregoing ruling of the court below on discovery, nor do they seek re-

view of the order of the court below striking Fort Howard's reply brief (Appendix, *infra*, pp. 20-22).

ARGUMENT

Fort Howard's petition seeks a judgment for attorney fees plus findings that Scott was guilty of fraud, despite concurrent rebuffs in district court and court of appeals on both of those issues. Although Fort Howard emphasizes volubly the beatitude of full disclosure, to the extent of invoking Title 18 of the United States Code (Pet. 5, 11, 13), it never once mentions its own lengthy and fruitless research efforts to produce an acceptable industrial wiper, or the fact that neither its own researchers nor anyone else ever derived any help from the Crane and Oldofredi patents upon which it now relies, or the fact that it finally copied the industrial wiper precisely as described and claimed in Scott's patent (Fdgs. 9-13, Pet. 16a-18a; Conc. 2, Pet. 22a).

The record reveals several reasons why the present case does not warrant further review.

First. The discussion of the patent in suit in the opinion below shows on its face that there was involved, not fraud, nor the presentation of a half-truth, nor even the slightest whisper of a failure to make full disclosure, but only a disagreement in complete good faith regarding the legal pertinence of two prior art patents.

In Scott's view, a view that was strongly maintained with the utmost of conviction and is still adhered to, neither the Crane patent for embossing checks nor the Oldofredi patent for imprinting decorative paper, leather, plastics, etc., had any invalidating effect on the Schutte patent in suit, which taught the manufacture of heavy duty industrial wipers that would

absorb and hold oil. The Schutte patent taught a product that possessed an effective scraper-action, relatively lint-free wiping surface, combined with strength, durability, a rapid rate of absorbency, large oil holding capacity, and the bulk and protection essential for machine wiping (PX 1, App. 471)—whereas Crane and Oldofredi were totally unconcerned with such features or with any paper structure that would produce them. (DX 100, App. 629, 656)

The reasonableness of Scott's view, which was supported by the testimony of Fort Howard's patent expert, who admitted that neither Crane's bank checks nor Oldofredi's decorative paper would be suitable as industrial wipers (App. 374-375, 378), was found as a fact by both courts below (Fdg. 21, Pet. 21a; Conc. 5, Pet. 22a; C.A. Op., Pet. 12a). Scott maintained—and still does—that the Patent Office had better art before it than Crane or Oldofredi. It had art that dealt with papers having crests and depressions and perforations to achieve absorbency (Milliken 2,281,945; App. 651), and art dealing with metal-to-metal embossing rolls (Ruegenberg 2,257,429; App. 690). While the courts below rejected this contention, they never questioned the good faith behind it, and the court of appeals specifically recognized Scott's *bona fides*, *supra*, p. 8 (Pet. 12a).

As an original proposition it could scarcely be contended that every difference of opinion regarding the pertinence of prior art patents involves risking a charge of fraud, much less that it is sufficient to satisfy the heavy burden of proof required to substantiate such an allegation. Accordingly, we need not burden this Court with a point-by-point refutation of Fort Howard's twice-rejected contentions; it should be sufficient to rest on the concurrent findings of both

courts below that Scott's disagreement as to the pertinence of Crane and Oldofredi was solidly grounded in good faith.*

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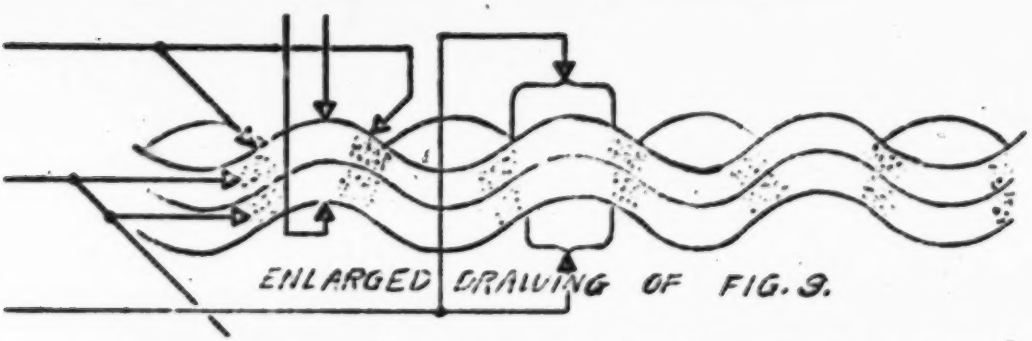
* Indeed, insofar as good faith was absent in the proceeding, the deficiency rests with Fort Howard, whose DX 129 was a highly distorted version of Fig. 9 of the Oldofredi patent. We say "highly distorted" because Fort Howard's own patent expert, Verhage, indicated (App. 395-6) that the draftsman took particular liberties in drawing this exhibit, and that instead of following Verhage's instructions he followed the suggestion of Fort Howard's counsel. These distortions are clearly apparent from visual inspection. Fort Howard represented DX-129 to the trial court as an accurate enlargement of Fig. 9 of the Oldofredi patent:



Compare the above exhibit with the *actual* enlargement of Fig. 9 which appears below.

Fort Howard's DX-129 thus shows a 2-ply undulating paper product with perforations confined to the sloping areas, just as

Without now rearguing the pertinency or otherwise of these patents, it is plain that they were sufficiently dissimilar to support the concurrent findings below that Scott's failure to cite them did not and could not involve either fraud or bad faith. The decisions below were based on the particular facts of this case and did not involve an erroneous legal standard as to what constitutes fraud.

Second. Notwithstanding Fort Howard's attempt to portray a conflict among circuits, the circuits are in accord. The standard of candor is high, both courts below appreciated this—having heard the same arguments Fort Howard makes now, and both courts held on the facts that Scott was not guilty of fraud or unclean hands.

Fort Howard would have this Court believe that its decisions in *Kingsland* v. *Dorsey*, 338 U.S. 318 (1949) and *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Co.*, 324 U.S. 806 (1945), have been ignored by the Seventh Circuit and the circuit needs to have its standards raised (Pet. 10). In support, Fort Howard relies on several cases which are readily distinguishable.

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called for by the claims of Scott's patent. Actually, however, Oldofredi's Fig. 9 does not show a 2-ply product (App. 395-6), nor does it show perforations on and confined to the slopes.

Moreover, Fort Howard also photographed the 12-mesh surface of a Scott paper wiper without any magnification, and then submitted it to the court for comparison with the photograph of a paper embossed between the much finer 40-mesh screen taught by Oldofredi; but the latter was magnifed 3½ times to enhance its similarity with the Scott photograph (DX 125-127). The embossed bank check described in the Crane patent, which issued at the turn of the century, is similarly remote from the heavy duty paper wiper of the patent in suit.

In *Monolith Portland Midwest Co.* v. *Kaiser Aluminum & Co. Corp.*, 407 F.2d 288 (C.A. 9, 1969), relied on by Fort Howard (Pet. 15), there were concurrent findings of actual misrepresentations to the Patent Office in four respects:

(1) deliberate concealment of statutory bars

(2) falsehoods in a petition to make special

(3) misrepresentations about "unexpected results"; and

(4) false statements of novelty in an affidavit.

The court of appeals for the Ninth Circuit characterized these findings as evidencing a "course of conduct" which constituted a serious breach of duty to the Patent Office and supported a conclusion that the case was exceptional (407 F.2d 288 at 297). There are no facts in the present case to support any such conclusion, and there is no reason to believe that the Seventh Circuit would differ from the Ninth Circuit on the same set of facts.

Similarly, in *Monsanto Co.* v. *Rohm & Haas Co.*, 312 F.Supp. 778 (E.D. Pa. 1970), also invoked by Fort Howard (Pet. 18), there was a specific finding that an affidavit submitted to the Patent Office "is misleading, and was intended to be misleading" (312 F.Supp. at 791), a finding reaffirmed and articulated on motion for new trial (312 F.Supp. at 798-800); the details of the misrepresentations there involved were explicitly set forth (Fdg. 37, 312 F.Supp. at 785-786; Conc. 2(b), id. at 798). No comparable findings exist in the present case.

Fort Howard several times suggests (Pet. 2, 19-20) that the substance of its disclosure issue is now pend-

ing here in *Blonder-Tongue Laboratories* v. *University of Illinois Foundation*, No. 338, this Term, in which certiorari has been granted.

Inspection of the *Blonder-Tongue* petition suffices to dispose of that suggestion. The substantial issue involved in that case is a conflict between adjacent circuits regarding the validity of an identical patent. The Eighth Circuit had held invalid the Isbell patent, No. 3,210,767, for a frequency independent unidirectional antenna, *University of Illinois Foundation* v. *Winegard Co.*, 402 F.2d 125 (1968), certiorari denied, 394 U.S. 912, after which the Seventh Circuit held that this same patent was valid. *University of Illinois Foundation* v. *Blonder-Tongue Lab.*, 422 F.2d 769 (1970). It is this latter ruling that will be reviewed in No. 338, since, obviously, it would be intolerable if a patent that was valid in Illinois and Wisconsin were to be invalid in Iowa and Minnesota.

The disclosure issue, the second question presented by the petitioner in No. 338 (quoted here at Pet. 2-3, note 1), is tied to the first question and differs markedly in its substance and in its facts from the disclosure contentions now advanced for the third time by Fort Howard, compare 422 F.2d at 776-777. The *Blonder-Tongue* petition is based not on a difference of opinion as to the pertinence of prior art, but on an affidavit by the patent applicant misleading as to a matter of fact (*viz.*, that the Mayes invention was made prior to a certain technical article by Isbell, whereas in fact that article had been previously published more than one year prior to the Mayes filing date—422 F.2d at 776-777; *Blonder-Tongue's* petition for certiorari pp. 9-11).

Review by certiorari is denied as a general rule on questions that depend on narrow issues of fact, or

where there are concurrent findings, or where there is no doctrinal conflict between circuits. *General Talking Pictures Corp.* v. *Western Electric Co.*, 304 U.S. 175, 178-179 (1938). The present petition consequently does not justify further review on any ground.

We are confirmed in this view by the Court's recent refusal to explore the factual aspects of the disclosure doctrine, on both petition and cross-petition. See *Chemtronics* v. *Beckman Instruments, Inc.*, No. 705 this Term; *Beckman Instruments Inc.* v. *Chemtronics*, No. 711; certiorari denied in both, December 14, 1970. The Fifth Circuit's opinion in *Beckman Instruments, Inc.* v. *Chemtronics, Inc.*, 428 F.2d 555 (C.A. 5, 1970), relied on by petitioner here (Pet. 16-17), is also factually dissimilar because that court specifically found the patentee's position to be "utterly incredible" (428 F.2d at p. 566).

Third. Fort Howard's attorney fee question stands on no more favorable footing. Cf. *Colson Corp.* v. *Everest & Jennings, Inc.*, 371 F.2d 240, 243-244 (C.A. 7, 1967), certiorari denied, 387 U.S. 918 (No. 1225, O.T. 1966), where a successful patent defendant was also denied attorney fees by both lower courts.

On this issue, we start with the statute, 35 U.S.C. § 285 (*supra*, p. 3), which was restated more restrictively in the 1952 revision of the patent laws. The clause, "in exceptional cases," was then introduced; it was not in the earlier version of the statute; see 35 U.S.C. § 70 in the 1946 and prior editions of the U.S. Code. Indeed, the revisers of Title 35 noted that "'in exceptional cases' has been added as expressing the intention of the present statute as shown by its legislative history and as interpreted by the courts."

Next, the statute is discretionary on its face: "The court * * * *may* award" (Our italics).

The decisions under § 285 show that attorney fees are not to be awarded as a matter of course, as a penalty for failing to prevail, but sparingly, and then only where there has been vexatious litigation, gross injustice, actual fraud, or calculated recklessness about the truth. Apart from the circumstance that the trial court's discretion will not be disturbed except where plainly abused, a mass of case law indicates that attorney fees will not be granted where the validity of the patent in suit has been litigated in good faith, and where there is a legitimate basis for differences of opinion.

Where, as here, the charge of fraud has been rejected, and the court found patentee to have proceeded in good faith, every circuit that has ever considered the scope of § 285 has held, in accord with the court below, that attorney fees could not be awarded. Representative decisions appear in the margin.*

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* C.A. 2: *Indiana General Corp.* v. *Krystinel Corporation*, 421 F.2d 1023, 1033-1034 (1970) certiorari denied, 398 U.S. 928.
C.A. 3: *AMP Incorporated* v. *Burndy Corporation*, 332 F.2d 236, 239 (1964), certiorari denied, 379 U.S. 844; *Chemical Construction Corp.* v. *Jones & Laughlin Steel Corp.*, 311 F.2d 367, 374 (1962).
C.A. 4: *Berry Brothers Corp.* v. *Sigmon*, 317 F.2d 700, 706 (1963); *Carolina Lee Knitting Co.* v. *Johnson & Johnson*, 275 F.2d 91, 94 (1960).
C.A. 5: *Specmade Products, Inc.* v. *Barnett*, 354 F.2d 229, 230 (1966).
C.A. 6: *Hoge Warren Zimmerman Co.* v. *Nourse & Co.*, 293 F.2d 779, 783-784 (1961).
C.A. 8: *Collins* v. *Owen*, 310 F.2d 884, 887-888 (1962).
C.A. 9: *K & W Trucking, Inc.* v. *Eight Point Trailer Corp.*, 418 F.2d 1243 (1969); *Monolith Portland Midwest Co.* v. *Kaiser Aluminum & C. Corp.*, 407 F.2d 288, 293-294, supra.
C.A. 10: *Merrill* v. *Builders Ornamental Iron Co.*, 197 F.2d 16, 25-26 (1952).

Fourth. Far from questioning Fort Howard's assertions about the duty of disclosure resting on patent applicants, we concur therein, fully and heartily. We respectfully submit, as both courts below have found, that Scott faithfully performed that duty. As to the questions now presented, the concurrent rulings of the two courts below are clearly right, and this case therefore does not justify further review.

CONCLUSION

For the foregoing reasons, it is respectfully submitted that the petition for a writ of certiorari should be denied.

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December 1970.

APPENDIX

Text of Court of Appeals' Order Striking Fort Howard's Reply Brief and Ordering Destruction of All Copies Thereof.

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT
CHICAGO, ILLINOIS 60604

January 26, 1970

Before

Hon. ROGER J. KILEY, Circuit Judge
Hon. THOMAS E. FAIRCHILD, Circuit Judge
Hon. WALTER J. CUMMINGS, Circuit Judge

Nos. 17569, 17570

SCOTT PAPER COMPANY, *Plaintiff-Appellant* and *Cross-Appellee*,

v.

FORT HOWARD PAPER COMPANY, *Defendant-Appellee* and *Cross-Appellant*.

Motion To Strike Reply Brief and To Dismiss Cross-Appeal.

ORDER

Scott moves for an order designed to prevent further dissemination and use by Fort Howard of certain letters formerly contained in Envelope 666AA and associated with the record herein, and made known to counsel for Fort Howard as a result of an inadvertent error by the clerk of the district court.

In 1962 Fort Howard sought production under Rule 34 F.R.C.P. of documents including "Any preliminary search report or patentability report made by anyone on behalf of the plaintiff, relating to the subject matter of the patent involved in this action." Scott objected, claiming attorney-client privilege. Chief Judge Tehan ordered Scott to

submit the documents to the court *in camera* so that a ruling could be made. The letters now in question were delivered to the court in a sealed envelope, marked so as to indicate such purpose of submission.

Chief Judge Tehan denied discovery for want of good cause shown and because he found the letters not relevant. The issue of privilege was not reached. The letters remained in an envelope in the safe of the clerk of the district court.

Later these appeals were taken by each party, and the parties stipulated that certain items, including the envelope and letters in question need not be transmitted to the court of appeals, subject to order by this court or request by one of the parties.

By inadvertence the clerk of the district court did transmit the envelope and its contents along with other portions of the record. Although this was one of four items referred to in the index as having been impounded by order of the court, the clerk of this court did not become aware of such indication and released the entire record to one of counsel for Fort Howard in return for his receipt. This provided such counsel with an opportunity to examine the letters involved in this motion. Mr. McAndrews has filed an affidavit asserting that the envelope was not sealed and that he scanned and read the letters before noticing the label on the envelope indicating that they had been submitted for *in camera* inspection.

Fort Howard appears to have designated these documents for printing as part of the appendix and to have quoted from them in its reply brief. Scott asks an order striking the brief, requiring that all copies be destroyed, striking the designation for printing, ordering the letters returned to the district court along with all copies thereof and excerpts therefrom, and dismissing Fort Howard's cross-appeal.

Fort Howard appears to argue (1) that the events related have divested the letters of any restriction of secrecy and that they are a portion of the public record, (2) that the district court's ruling that the letters are irrelevant is error, and (3) that the documents are evidence of fraud on the patent office and the court and therefore Scott is not entitled to protection of confidentiality. Its own summary is: "The toothpaste was already out of the tube when the record was sent up to this court."

The fact that the contents of the letters became known as a result of inadvertent failure to comply with the order of the district court is fully supported by the affidavits offered by Scott and in no way controverted by Fort Howard. It seems clear that an order should be entered returning the documents to their former status as nearly as practicable. Fort Howard may have some right to urge on these appeals that denial of discovery was erroneous, and, except that they may not use the contents of the letters in so arguing, their right, if any, to do so should not be impaired.

Accordingly,

It Is Ordered that (1) the reply brief of Fort Howard Paper Company in Appeal No. 17570 is stricken from the file of this court and the clerk shall destroy the same; (2) Fort Howard's designation of the letters previously contained in Envelope 666AA for printing is stricken and deemed of no effect; (3) Fort Howard Paper Company and its agents and counsel shall destroy all copies of said reply brief forthwith; they shall cause the return to the clerk of this court of said letters and Envelope, and shall also deliver to him all copies thereof and excerpts therefrom in their possession or control; said counsel shall certify compliance with this order to said clerk within 10 days; (4) the clerk of this court shall seal the letters within said envelope and retain it subject to further order of this court; (5) Scott's motion for dismissal of Fort Howard's appeal is denied.